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SUBJECT: AZERBAIJAN: SEPTEMBER 2007 BAKU CONSENSUS  
CONFERENCE PLANNED

Classified By: Ambassador Anne E. Derse, per reasons 1.4 (b,d).

¶1. (SBU) Copenhagen Business School Professor and Director for the Copenhagen Consensus Center Bjorn Lomborg and UNDP Head Marco Borsotti briefed Ambassador Derse August 24 on the planned September 2007 Baku Consensus conference organized by Lomborg. The Baku Consensus will be modeled on the May 2004 Copenhagen Consensus that identified and prioritized possible policy options for improving global human welfare and in particular that of developing countries. The Copenhagen Consensus identified 10 key policy areas, including governance, migration, communicable diseases, hunger and malnutrition and trade reform. Lomborg, noting the massive inflows of oil revenue into Azerbaijan, stated that there are plenty of challenges facing the country and a Baku Consensus could help the Government of Azerbaijan make the right policy decisions. The local press coverage of Lomborg meetings with the President and other high-level ministers was extensive, raising the profile of the initiative.

¶2. (C) Lomborg and Borsotti told the Ambassador that they had briefed President Aliyev and most of the GOAJ ministers on the Baku Consensus idea and received overwhelming support. Lomborg and Borsotti attended a dinner with Finance Minister Sharifov, Economic Development Minister Babayev and National Bank Chairman Rustamov in which the three discussed the Baku Consensus idea and potential policy options and goals. Lomborg stated that UNDP has provided the initial seed money for the conference and that the GOAJ will most likely finance the USD 1 million budget for the conference. The GOAJ is set to make its decision on the Baku Consensus in October and planning would begin immediately thereafter.

¶3. (SBU) Similar to the Copenhagen Consensus format, the Baku Consensus will include various panels of international and Azerbaijani experts and youth that would develop a list of priorities and challenges facing Azerbaijan as its oil revenues increase dramatically over the next 20 years. In addition, the Baku Consensus would organize regional "town hall" meetings to include opinions and views from the entire country. At the end of the process, the Baku Consensus would present its findings to President Aliyev and the GOAJ.

¶4. (SBU) The Ambassador raised the importance of looking at corruption and good governance issues and the possible areas for solutions. Lomborg noted that the Baku Consensus should highlight the need for "trade-offs." Borsotti added that the

Baku Consensus discussions could provide leverage for the Revenue Management Group discussions between the IFIs and international donor community and the GOAJ to increase economic dialogue. Azerbaijan's leading role in the Extractive Industries Transparency Initiative also could provide a useful subject for continued discussion on the importance of economic development.

¶5. (C) Both the Ambassador and Borsotti agreed that the Baku Consensus concept was timely as the GOAJ does not have much time left to prepare its economy and population for massive inflows of petrodollars. Borsotti told the Ambassador that Sharifov and Babayev indicated that Azerbaijan will receive an additional USD 12 billion in 2006 due to higher international oil prices. Turning to Azerbaijan's interest in WTO accession, Borsotti told the Ambassador that he believed the GOAJ did not expect further investment outside of the oil sector and consequently did not see the benefits of joining the WTO. In addition, he thought the GOAJ understood the impediments to WTO accession, including rampant corruption. The Ambassador said that she would continue to press the GOAJ on WTO membership. He nonetheless believed that the friends of Azerbaijan needed to continue to make the case and urge progress.

¶6. (SBU) COMMENT: The Baku Consensus process could not be more timely as Azerbaijan's oil revenues increase and the government struggles to prepare the economy. The meeting could focus both the GOAJ and the general public on the key challenges facing the country and lead to a broader dialogue on prioritizing the future needs of Azerbaijan.  
DERSE